

## Message Text

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ACTION SCI-06

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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 8209

C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 1566

E.O. 11652: ADS MARCH 18, 1975

TAGS: OSCI PL EFIN

SUBJECT: SFCP/JOINT-FINANCING AGREEMENT ON PL-480 S&T COOPERATION

1. FOLLOWING IS A FREE TRANSLATION OF THE POLISH  
RESPONSE TO THE US JOINT FINANCING DRAFT, FORWARDED  
BY FOREIGN MINISTRY TO THE EMBASSY:

### QUOTE I. PROPOSALS

1. THE POLISH SIDE CONFIRMS ITS READINESS TO PARTICIPATE  
IN FINANCING SCIENTIFIC AND TECHNOLOGICAL COOPERATION  
FOR UP TO 50 PERCENT OF COSTS.

2. THE POLISH SIDE BELIEVES THAT JOINT FINANCING SHOULD  
BE THE PRINCIPLE OF THE NEW AGREEMENT FOR THE WHOLE  
PERIOD OF ITS OPERATION. THIS MEANS THAT COOPERATIVE  
PROJECTS FROM THE INCEPTION OF THE NEW AGREEMENT WILL  
BE FINANCED IN EQUAL PARTS BY BOTH THE SIDES.

3. THE POLISH SIDE BELIEVES IT WILL BE USEFUL TO  
ESTABLISH A JOINT BOARD FOR SCIENTIFIC AND  
TECHNOLOGICAL COOPERATION TO FPERFORM COORDINATION TASKS.

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4. IT IS PROPOSED THAT EACH SIDE WILL DISPOSE THE

EQUIVALENT OF THE SUM OF \$50 MILLION STARTING JULY 1, 1974. IT IS EXPECTED AT THE SAME TIME THAT THE US SIDE SHALL SPEND ON CURRENT PRINCIPLES, AND APART FROM THE ABOVE-MENTIONED INPUT, THE FOLLOWING AMOUNTS:

A) THE EQUIVALENT OF \$20,160,000 FOR THE REALIZATION OF THE AGREEMENTS SIGNED TILL JUNE 30, AND

B) THE EQUIVALENT OF \$10,400,000 FROM THE TITLE OF NEW OBLIGATIONS UNDERTAKEN IN FY 74.

SHOULD THE OBLIGATION OF NEW FISCAL RESOURCES IN FY 74 BE SMALLER THAN \$10,400,000, THIS DIFFERENCE WOULD INCREASE THE SUM OF US FUNDING FOR THESE PURPOSES AFTER JULY 1, 1974. SIMILARLY, IF THE AMOUNT OF \$20,160,000 IS NOT ALL SPENT FOR THE REALIZATION OF CONCLUDED AGREEMENTS, THE DIFFERENCE WILL ALSO ENLARGE THE SUM OF US FUNDING AFTER JULY 1, 1974.

THE EQUIVALENT OF THESE ADDITIONAL SUMS WILL BE CONTRIBUTED IN PARALLEL FOR DISPOSAL IN ZLOTYS BY THE POLISH SIDE.

5. THE POLISH SIDE PROPOSES, ON THE BASIS OF THE CONTRIBUTIONS MENTIONED IN PARA 4, TO CONCLUDE A TEN-YEAR AGREEMENT. THE USE OF THE SUMS CONTRIBUTED BY BOTH SIDES UNDER THE NEW AGREEMENT WILL NOT HAVE A RIGID YEAR-BY-YEAR DISTRIBUTION. IT IS PROPOSED THAT THE JOINT BOARD, IN ESTABLISHING NEW ANNUAL EXPENDITURES, ASSURE SUCCESSIVE INCREASES IN RELATION TO PREVIOUS LEVELS. IN THE CASE WHERE THE WHOLE BUDGETED AMOUNT FOR THE GIVEN YEAR WILL NOT BE FULLY SPENT, THE DIFFERENCE WILL BE AUTOMATICALLY TRANSFERRED FOR USE IN THE SUCCEEDING YEAR.

6. IT IS ALSO THE OPINION OF THE POLISH SIDE THAT THE COST OF INTERNATIONAL TRAVEL AND OF PER DIEM SHOULD BE FINANCED SEPARATELY, AND ON EXISTING PRINCIPLES, AS SPECIFIED IN THE AGREEMENT CONCLUDED BETWEEN MINISTER M. KRZAK AND US ASSISTANT SECRETARY OF STATE W.J. STOESSEL IN WASHINGTON IN 1972.

7. BOTH SIDES UNDERSTAND THAT IN PARALLEL WITH THE FINANCING OF SCIENTIFIC AND TECHNOLOGICAL COOPERATION WITHIN THE CONFIDENTIAL

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FRAMEWORK OF THIS AGREEMENT, THE POSSIBILITY REMAINS OF DIRECT FINANCING OF SUCH COOPERATION BY THE INTERESTED INSTITUTIONS OF BOTH SIDES FROM THEIR OWN FINANCIAL RESOURCES, IN PROPORTION AND ON MUTUALLY AGREED PRINCIPLES.

## II. FINANCING SYSTEM

1. THE POLISH SIDE PROPOSES ESTABLISHING OF THE JOINT

FUND IN ZLOTYS TO WHICH BOTH SIDES WILL CONTRIBUTE IN  
EQUAL AMOUNT SPECIFIED IN POINT I.4 AS OF JULY 1,  
1974.

2. ALTERNATIVELY, THE POLISH SIDE IS PREPARED TO  
CONSIDER THE POSSIBILITY OF ESTABLISHING A SLIGHTLY  
DIFFERENT SYSTEM OF JOINT FINANCING, CONSISTING OF  
ESTABLISHING TWO SEPARATE BANK ACCOUNTS. THE AMERICAN  
SIDE WOULD CONTRIBUTE TO ONE OF THESE ACCOUNTS FROM  
PL-480 FUNDS AND THE POLISH SIDE WOULD CONTRIBUTE AN  
IDENTICAL AMOUNT IN ZLOTYS TO THE OTHER ACCOUNT. BOTH  
THESE CONTRIBUTIONS WOULD BE MADE ONCE, ON THE DAY  
THE NEW AGREEMENT COMES INTO FORCE.

3. AMOUNTS AGREED TO BY BOTH SIDES FOR THE COSTS OF A  
SPECIFIC PROJECT TO INTERESTED AGENCIES OR INSTITUTIONS  
WILL BE TRANSFERRED:

A) EITHER FROM THE JOINT FUND, OR  
B) IN THE EQUAL AMOUNTS, AND AT THE SAME TIME, FROM  
BANK ACCOUNTS OF BOTH SIDES TO THE BANK ACCOUNT OF THE  
COOPERATING POLISH INSTITUTION, AS IS THE CURRENT PRACTICE.

4. WITH THE PRINCIPLE OF EQUAL PARTICIPATION IN COSTS,  
A PRINCIPLE SHOULD BE ACCEPTED OF CALCULATING THE WHOLE  
COST OF THE WORK CARRIED BY THE INSTITUTIONS PERFORMING  
THE AGREED RESEARCH. THE PRINCIPLES OF THE UNIFORM  
CALCULATION OF COSTS SHALL BE SET FORTH IN AN ADDITIONAL  
DOCUMENT WHICH WILL CONSTITUTE AN INTEGRAL PART OF THE  
NEW AGREEMENT.

5. IT IS PROPOSED THAT THE JOINT MANAGEMENT CONSISTS OF  
6 PERSONS, 3 FROM EACH SIDE. THE MANAGEMENT WOULD MEET  
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IN PRINCIPLE TWO TIMES EVERY YEAR, ONCE IN POLAND AND  
ONCE IN THE UNITED STATES.  
THE JOINT MANAGEMENT WOULD EXERCISE PRIMARY AUTHORITY  
IN:

A) DECIDING THE PRELIMINARY LEVEL OF EXPENDITURES FOR A  
GIVEN FISCAL YEAR,  
B) DECIDING OF THE GENERAL STRUCTURE OF THESE EXPENDITURES  
ACCORDING TO THE AREAS OF SCIENTIFIC RESEARCH ACTIVITIES,  
ORIGINATING FROM THE PRIORITIES AND PREFERENCES OF BOTH  
SIDES,  
C) RESOLVING POSSIBLE MATTERS OF CONFLICT THAT MIGHT  
EMERGE DURING THE REALIZATION OF THE COOPERATION.

6. IT IS PROPOSED THAT THE NEW AGREEMENT COME INTO FORCE

ON JULY 1, 1974. UNQUOTE

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ACTION SCI-06

INFO OCT-01 EUR-25 ISO-00 ABF-01 EB-11 CIAE-00 INR-10

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FM AMEMBASSY WARSAW

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C O N F I D E N T I A L SECTION 2 OF 2 WARSAW 1566

2. DCM AND SCIATT DISCUSSED POLISH DRAFT ON MARCH 15  
WITH CHOWANIEC, ELICITING FOLLOWING CLARIFICATIONS:

PARA I (5) ANNUAL CONTRIBUTIONS: THE WORDING HERE IS  
INTENDED TO INSURE INCREASING ANNUAL OBLIGATIONS FOR  
S&T COOPERATION. CHOWANIEC PROPOSED HYPOTHETICAL  
EXAMPLE OF STARTING JOINT FINANCING AT \$8 MILLION  
EQUIVALENT FOR THE FIRST YEAR, PROCEEDING WITH ANNUAL  
INCREMENTS UNTIL A \$16 MILLION EQUIVALENT OBLIGATION IS  
REACHED IN TENTH AND FINAL YEAR OF COOPERATION PROGRAM.

PARA I (6) TRAVEL: THE POLISH PROPOSAL WOULD REQUIRE  
FINANCING INTERNATIONAL TRANSPORTATION AND PER DIEM  
FROM SOURCES OUTSIDE OF JOINT FUND. CHOWANIEC ADDED THAT  
POLISH INTERPRETATION OF STOESSEL-KRZAK AGREEMENT  
WOULD PERMIT US TO CONVERT PL-480 ZLOTYS TO HARD  
CURRENCY FOR INTERNATIONAL TRAVEL, ONLY PER DIEM PAYMENTS  
FOR POLES VISITING US WOULD HAVE TO COME FROM INDEPENDENT  
SOURCES OF DOLLARS IN US.

PARA II (4) COST CALCULATIONS: CHOWANIEC STATED POLISH  
ANALYSIS OF A NUMBER OF TYPICAL COOPERATIVE PROJECTS  
REVEALS FAIRLY WIDE DIVERGENCIES IN COST ELEMENTS  
INCLUDED IN BUDGETS. CHOWANIEC SAID POLES NOW PREPARING  
STANDARD LIST OF COST ELEMENTS, BASED PRINCIPALLY ON NSF  
SFCP BROCHURE. HE GAVE ASSURANCES THAT NO PROHIBITED

ITEMS IN CURRENT US AGENCY RESEARCH CONTRACT REGULATIONS  
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(E.G., AMORTIZATION OF LABORATORY BUILDINGS) WOULD BE INCLUDED, AND JOINT FINANCING UNDER PROPOSED UNIFORM COST CALCULATION PRINCIPLES WILL PRODUCE GENUINE INCREASE IN VOLUME OF S&T COOPERATION.

3. DCM AND SCIATT NOTED TO CHOWANIEC THAT POLISH DRAFT DIFFERS GREATLY FROM US DRAFT ON PRACTICALLY EVERY MAJOR ELEMENT (I.E., SIZE OF PROGRAM, METHOD OF MAKING CONTRIBUTIONS, AND POWERS OF JOINT BOARD). THEY UNDERLINED THAT US POSITION LABORIOUSLY ARRIVED AT AND THAT CONSTRAINTS IMPOSED BY TREASURY AND COOPERATION AGENCIES WOULD MAKE RADICAL CHANGES IN US POSITION VERY DIFFICULT. THEY ALSO POINTED OUT THAT DELAY IN REACHING AGREEMENT WOULD ILL SERVE POLISH INTERESTS, SINCE EACH YEAR'S DELAY LESSENS AMOUNT AVAILABLE FOR JOINTLY-FINANCED PROGRAM UNDER PHASE-DOWN WHICH IS ALREADY IN EFFECT. CHOWANIEC REPLIED THAT HE WELL UNDERSTOOD US SITUATION, BUT PERSISTS IN THE BELIEF THAT US ADMINISTRATIVE AND LEGAL PROBLEMS WITH THE JOINT FUND PROPOSED BY POLAND COULD BE RESOLVED BY A "HIGHER-LEVEL DECISION".

4. COMMENT:

CHOWANIEC INDICATED TO US THAT THE POLISH POSITION, WHICH HE DESCRIBED AS THE AGREED VIEWS OF NINETEEN INTERESTED POLISH GOVERNMENT AGENCIES, IS FIRMEST ON TWO ESSENTIAL FEATURES: THE SIZE OF THE CONTRIBUTION OF EACH SIDE AND THE TEN-YEAR SPAN OF THE AGREEMENT. HE HINTED THAT OTHER ELEMENTS ARE NEGOTIABLE. WHAT THE POLISH SIDE HAS DONE IN ESSENCE IS TO RETURN TO THE FRAMEWORK OF OUR AGREEMENT WITH THE YUGOSLAVS AND TO DISMISS AS SO MUCH LEGAL PETTIFOGGERY THE US SIDE'S CAREFUL EXPLANATION OF THE REASONS WE COULD NO LONGER USE THAT AGREEMENT AS A MODEL. THEY HAVE HINTED RATHER BROADLY THAT THEY REGARD BOTH OUR LIMITATIONS ON THE MAXIMUM AMOUNT OF OUR CONTRIBUTION AND ON THE PERIOD OF TIME OVER WHICH IT CAN BE SPENT AS THE RESULT OF WORKING-LEVEL RULINGS WHICH THEY ARE NOT PREPARED TO ACCEPT AS FINAL. END COMMENT.

5. ACTION RECOMMENDED: THE EMBASSY RECOMMENDS A RAPID AND FIRM REJECTION OF THE POLISH DRAFT WHICH WILL SERVE  
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TO PLACE THE ONUS FOR STALLING BACK IN THE POLISH COURT, AND LEAVE OPEN THE DATE FOR THE NEXT MEETING OF THE JOINT WORKING GROUP.

6. IT APPEARS TO US THE POLES HAVE TAKEN A HARD-LINE ATTITUDE SINCE THE CRUCIAL MATTER TO THEM OF THE AMOUNT OF US FINDING FOR S&T COOPERATION WILL NOT BE INCREASED BY AN AGREEMENT ON JOINT FINANCING. THUS, THEY PERCEIVE RELATIVELY LITTLE HARM IN DEMANDING OPTIMAL TERMS. TO STRENGTHEN OUR BARGAINING POSITION FOR THE NEXT ROUND, WE RECOMMEND FURTHER STUDY OF THE U.S. POSITION WITH A VIEW TO MODIFYING IT BY OFFERING NOT TO DEDUCT OBLIGATIONS MADE IN FY 74 FROM OUR CONTRIBUTION OF \$30.8 MILLION AND TO PERMIT NEW OBLIGATIONS UNDER THE EVENTUAL JOINT-FINANCING ARRANGEMENT THROUGH FY 80. EMBASSY FEELS POLITICAL, ECONOMIC, AND SCIENTIFIC BENEFITS OF JOINT POLISH-AMERICAN RESEARCH ARE LARGE AND CONTINUOUS AND FULLY JUSTIFY SOME RECONSIDERATION OF OUR POSITION.  
DAVIES

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## Message Attributes

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